FINANCE COMMITTEE

Room 437
Waller Creek Office Building
507 Sabine Street
Austin, Texas

9:45 a.m.
Friday
April 14, 2000

COMMITTEE MEMBERS:
DONALD R. BETHEL, Chairman
MICHAEL JONES
MARGIE BINGHAM (not present)

STAFF:

DAISY STINER, Executive Director
BILL DALLY, Chief Financial Officer
BRENT STEWART, Multifamily Division
ROBERT ONION, Multifamily Division
AGENDA ITEM
CALL TO ORDER, ROLL CALL, CERTIFICATION OF QUORUM  3

PUBLIC COMMENT
Thelmer Norman  4
Carole Bonner  10
Eliza Steward  11
Phillbert Jordan
LaMonica Jordan
Victor Smith
Kim Vowell
Senator Royce West  26

Item 1Presentation, Discussion and Possible  36
Approval of Minutes of Finance Committee
Meeting of February 11, 2000

Item 2Presentation, Discussion and Possible  37
Approval of Second Quarter Investment Report

Item 3Presentation, Discussion and Possible  39
Approval of a Proposed Issuance of Multifamily
Mortgage Revenue Bonds for the Hickory Bend
Apartments, Dallas, Texas in an Amount not to
Exceed $12,300,000 and Other Related Matters

Item 4Presentation, Discussion and Possible  41
Approval of a Proposed Issuance of Multifamily
Mortgage Revenue Bonds for the Deerwood Pines
Apartments, Houston, Texas in an Amount not to
Exceed $6,435,000 and Other Related Matters

Item 5Presentation, Discussion and Possible  46
Approval of a Proposed Issuance of Multifamily
Mortgage Revenue Bonds for the Timber Point
Apartments, Houston, Texas in an Amount not to
Exceed $8,100,000 and Other Related Matters

Item 6Presentation, Discussion and Possible  47
Approval of a Proposed Issuance of Multifamily
Mortgage Revenue Bonds for the Creek Point
Apartments, McKinney, Texas in an Amount not to
Exceed $7,200,000 and Other Related Matters

ON THE RECORD REPORTING
(512) 450-0342
PROCEEDINGS

MR. BETHEL: We're going to call this meeting to order. This is the meeting of the Finance Committee of the Texas Department of Housing and Community Affairs, meeting at -- we're a little bit late -- 9:45 on April 14 of the year 2000.

I'll call the roll of the committee members to verify a quorum.

Don Bethel, present.

Mike Jones?

MR. JONES: Here.

MR. BETHEL: Margie Bingham?

(No response.)

MR. BETHEL: Margie is not here.

There is a quorum.

Since this meeting is open for public record, we would ask that if you wish to speak before this committee, that you would fill out a witness affirmation form and bring it to the front and give it to the court reporter. Give it to Penny and she'll hand it to us, and then we'll recognize you to speak. If you do wish to speak, come forward to the podium and state your name, because these proceedings are recorded for public record.

I have several witness affirmation forms.

Today if there's anyone else would like to speak, well, if
you would go ahead and pick them up, that would be great.

I guess at this time we will -- we're going to give you the time to speak; if it becomes repetitious, we would like for you to cut it a little short. I know we've got several wishing to speak about the Hickory Bend Apartments.

What I thought we might do is the ones that are against speak first, and then the ones for it speak, and then we may have a rebuttal by the ones that are against.

And we're happy to have Senator Royce West with us today, and Senator, if you'd like to speak, we would invite you to come forward. Or would you like for some of the others?

SENATOR WEST: We'll let some of the others, and then what I'd like the opportunity to do is that after the committee has heard both sides, have the opportunity to have some closing remarks.

MR. BETHEL: Okay. Thank you, sir.

Thelmer Norman. Right here, please, and if you'd state your name for the record.

MS. NORMAN: I'm Thelmer Norman, 2628 Blackstone, Dallas, Texas. I represent the United Homeowners Association of Oak Cliff.

The United Homeowners Association of Oak Cliff is an umbrella organization for the homeowners
associations in the southwest sector of Oak Cliff. This covers a lot of territory, and it's a lot of people involved.

Carole, would you bring me that red book?

We've been working on what you call a planned development in that area. Area 5 and 8 merged together in order to do what you call a planned development. A planned development -- the scientific name is a PD. But what it is that you plan out your own neighborhood, you dictate what comes in and what's not going to come in.

In other words, this book here, which I'm going to pass it around -- it has 435 signatures of homeowners. We sent out to 1,000 homeowners; I have a copy of that of all the homeowners that it was sent out to.

This is certified and endorsed by notables, all the churches in the area. I go to Oak Cliff Bible Fellowship which is one of the largest churches in that area, has a membership about 4- or 5,000. Church City, the complete Church City endorsed this PD. We changed 800 acres in Area 5 which is right -- you've got Hampton Road runs down the center of Area 8 and 5; Hampton is on the left -- I mean Area 8 is on the left, and Area 5 is on the right.

I live in Area 8; that's about this case we have today. I live in that area; I've been in that area
for 22 years. The problem that we have in that area is an
oversaturation of apartments in the area; we've got about
6,000 in the immediate area. We're losing all the kids
that's in that area to drugs and crimes.

We have started what we call the Oak Cliff War
on Crime Project. We started this project -- I did, about
nine months ago. We had 287 prostitutes on the corner
from where I stay, which is nowhere from where the
apartments are being ready to be put in. We have a
problem of the owners coming in over a long period of
time, the developers, and not keeping it up.

We've got the largest drug problem on the
corner, and the reason we started -- I was so sincere to
the need because when it start hitting on your doorstep,
you get concerned. I was stopped in the middle of the
street there on Camp Wisdom, and at that point I said,
It's time to do something. So I started calling all the
business people together in the area; we started this PD.

Everybody agrees that we are going to change
the zoning. The planning department agreed; all city
council planners in Dallas voted unanimously to change
this zoning from multifamily to single family dwellings.
We wasn't aware that that particular spot had been kept
zoning as multifamily.

That area was designated as our industrial
area -- commercial, industrial. We knew the college was
going to be put in over there, and we knew what had to be
around it. We didn't want it to wind up like the
University of Houston is -- in the ghettos. Nice school,
but you are completely surrounded.

What it is is we want to follow the Walker
Consent Decree [phonetic]. If you've got an apple, and I
got four little kids here, I want to distribute that apple
out equal. I want to cut it four ways, and I want to give
you your portion, I want to give you your portion, and you
your portion. But if I give one of those kids more than I
gave the other, Mama, you got a problem; you gave him more
than you gave me.

So that's the problem we've got here is that
that apple is being distributed the wrong way. So you've
got the Oak Cliff family upset; you've got the entire
community upset. We just received a phone call from the
mayor's office. Mary Kay Vaughn just called; says that
they have agreed to the change. Senator West is going
along with us and our state representative Jesse Jones.
Both have put letters in the file.

So everybody, the community, the churches, the
recreation peoples, everybody in the area is going along
with it.

So we do not want -- they came in and they
didn't even put bathrooms downstairs; they look so bad, it's pitiful. I'm a decorator and I just wouldn't -- you just wouldn't deal with it. No bathrooms, no shrubbery, and they tell us that if we approve Phase Two, they will go back and fix Phase One, continuously.

    And I say, Hey, no way. If you're getting state funds, you ought to fix it right in the first place. Why is Phase Two going to be a continuous on Phase One when it's an eyesore to the neighborhood. It's a disgrace to use tax dollars that way.

    Thank you for your time.

    MR. BETHEL: Thank you.

    MR. JONES: Could I ask her a question?

    MR. BETHEL: Yes.

    MR. JONES: Ms. Norman, I noticed in reviewing the book -- the book is --

    MS. NORMAN: I have a cover sheet, too.

    MR. JONES: Sure. A number of people have -- the petitions have been signed in the book, and this is a book of petitions in support of your organization. Right?

    MS. NORMAN: No. The PD, to leave the zoning.

    They want single family dwellings because it's an oversaturation of multifamily. The developers came out there and bought land and put everything multifamily. They didn't respect the people that stay there, and here
we got the highest crime rate there is in the United
States; we've got a $3 million drug operation going on
right on the corner where I stay. That's the kind of
situation.

MR. JONES: Yes, ma'am, and that was my
inquiry.

The other question I'd like to ask you -- you
mentioned the Oak Cliff Bible Fellowship church.

MS. NORMAN: Right. I go there; I'm a member.

MR. JONES: Yes, ma'am.

MS. NORMAN: They endorsed it.

MR. JONES: A wonderful church; I've been there
myself.

MS. NORMAN: They endorsed it. It's one of the
largest organizations in that area. And if you got Tony
Evans to endorse it, hey.

MR. JONES: Ma'am, I want to make sure I
understand what they've endorsed and their position. Is
it their position that they're against this particular
project or just that they endorse the zoning concept?

MS. NORMAN: That everybody endorsed the
concept to change the zoning because it's an
oversaturation.

MR. JONES: Thank you, ma'am. That was my only
question. Thank you. I appreciate it.

ON THE RECORD REPORTING
(512) 450-0342
MS. NORMAN: Thank you.

MR. BETHEL: Carole Bonner.

MS. BONNER: Good morning. My name is Carole Bonner and I reside at 7747 Los Gatos, Dallas, Texas 75232.

I am currently representing Carter Square Homeowners Association which is a member of the United Homeowners Association, and we oppose the Hickory Bend Phase Two development for the following reasons.

First, the density for Phase Two. They want to put in 250 units on 20 acres of land opposed to they developed 25 acres on 250 units on Phase One, so there's going to be more density. We're not in favor of that.

Currently, where the site is, most of the area is highly-industrial business. It's been a long time for that area to get business development; we're getting business development, and we don't what to hamper what we already have. And we feel that the additional Phase Two will actually do that.

Phase One went in without the community being aware of it, and right now Phase One is not very attractive. They have made some concessions. We've met with them several times, but still we cannot come to a consensus on Phase Two in that basically the homeowners in the area, we do not want it.
I also went around to my neighborhood, and we got a signed petition of the people that are actually opposing, and I have a copy of that that I can pass out.

Like Ms. Norman did state earlier, we do have an oversaturation of multifamily development in that area. The apartments start off fine; over a couple of years -- after 10 or 15 years, the project just goes downhill because of the property owner or the management company, they don't want to do the necessary steps to keep the property up.

There's a high crime rate, and right now multifamily has not been very desirable or compatible with single family dwellings within the area or with the businesses.

MR. BETHEL: Thank you.

Eliza Steward.

MS. STEWARD: My name is Eliza Steward; I live at 7022 Balalaika, Dallas, Texas 75241, and I'm the secretary of the Hidden Valley Homeowners Association in that area, and we're also under the umbrella of the United Homeowners Association.

I would like to read a letter on behalf of the principal at Carter High School.

VOICE FROM AUDIENCE: Martin Weiss.

MS. STEWARD: Oh, Martin Weiss Elementary
School. I'm sorry. I stand corrected.

"Recently I had an opportunity to attend a community meeting held at Thurgood Marshall Recreation and Community Center. The main purpose of this meeting was to hear and discuss ideas and feelings concerning the addition of several units at the apartment location on Old Hickory Trail.

"As the principal of our school, I would like to share my concerns about the plans for adding additional units to this present structure. We recently have 714 students enrolled for the 1999-2000 school year. Of the 714 students, approximately 210 students are housed in 17 portable buildings. Our special programs classes such as music, talented and gifted, speech and program, remedies classes area also located in these portables.

"The budget for the 2000-2001 school year was recently submitted to our budget office. The provisions were not allowed for any additional students. We are not in the business of turning away any students because of limited space. Necessary adjustment would have to be made for our budget specialties as the need arises for increased enrollment."

I am also a part-time sub and the schools are overcrowded; they don't really have enough teachers to go around for a lot of these schools. And if you add the
amount of apartments that they're going to put there in that area, then it's just not going to be any place for the kids to be.

The area right now is oversaturated with apartments, and the area where I live in, they're also trying to do the same thing and we are also fighting that. So we don't need any more apartments in that area, we need single family housing. Thank you.

MR. BETHEL: Thank you, ma'am.

Phillbert Jordan.

MR. JORDAN: Good morning. My name is Phillbert Jordan. I reside at 8613 Old Hickory Trail, Unit 2502.

We are a current resident of the product of this development. We found ourselves looking for a home, and within the time frame that we had available to find a home, we did not feel that we had ample time to find something that would fit the needs of our family that we would be happy with, and we found the Greens of Old Hickory Trail.

During the time that we were looking there, we found that they have very strenuous qualifications. It took us a full 30 days to qualify and we felt like we had a squeaky clean record. But in looking back over the process, they did let us know that because of their stern
qualities, they would ensure quality, responsible neighbors in that area.

So far we have been pleased with the living environment there. They have been very well equipped to fit the needs of our family as far as the room and the space and those things that we need.

The proper steps have been taken and are being taken to ensure that this property will be a safe place for our family. There are a number of things that we have taken into consideration, even considering this property.

Naturally, we all desire a safe place for our families to live, and we found that in this development that they have taken the proper steps as far as the security, as far as the care of the property, as far as the management of the property that we can be assured that it will be a safe place to live.

Another thing that is very important is that it's a comfortable and affordable residence. I myself, I work for the Texas Department of Human Services. I'm a Texas Works [phonetic] advisor. My wife is an assistant teacher at the DeSoto School District, and we are very active in our community.

We work with a large number of clients: she works with special ed children; I work with AFDC recipients, Medicaid recipients, food stamp recipients. I
see a large number of people that are working in the right
direction to change their lives.

This particular type of development is
something that I feel will enhance the area because it
gives them something to work towards, to qualify for. And
not only that, it will give them something to be proud of
in their seeking good, safe, affordable housing.

I myself, I'm not a welfare recipient. I have
three children; I do desire that they live in a safe,
loving home and environment. And if we did not find that
in that area, then we would not have moved into that area.

We're currently looking for a home in the
DeSoto area, and at the time we were looking at the
property, we did not even know that it was a Dallas area
because of how they have taken the proper steps for it to,
what I feel like, look nice. It's very clean; it's very
orderly. It's still under development, so you really
can't see the full beautification of the property before
it's completed.

Something else that I feel is very important is
that in the Dallas area, I have yet to find anything along
this line that would offer the type of benefits that they
offer with this property. Once again, we want to look at
something that's going to offer something positive for the
community. Of course, there are negatives and nothing is
a guarantee, but once again, I really, after sitting down and looking at the management and going through the process and speaking with the developers on this issue, they have and are taking the proper steps for this to be a positive issue for the city of Dallas opposed to a negative issue for the city of Dallas.

The beauty of this development, of this type development -- it goes beyond the exterior of how it looks on the outside. You know, we all desire clean and safe housing, and I know that I'm not the only young family that's living in the Dallas area that's looking for something clean and safe and affordable for their family.

It's well managed, and in looking over their plans, the guidelines that they've put in place, along with the commitments that they have pledged, this desire for a safe, clean environment for young families, single parent families can become a reality.

Once again, you look at the motives of this company, you look at the processes that they take you through, and you look at the promises that they have put before you to guarantee you that you have somewhere safe to live. I feel like that is something positive. So in my support of the success of this development -- with the hopes of it being a contributing factor to the reestablishment of the family.
Like I say, everyone desires a good clean place
to live, and I'm not a welfare recipient. It's not that
I'm above anyone or anything; I'm just a simple working
man, and we have three small children that we care for.
And if we did not feel that this was something to help us,
then we wouldn't be there, and I wouldn't want this
opportunity to pass and it could be a help to other
families like ours.

Thank you. That's all I have.

MR. BETHEL: LaMonica Jordan. You're echoing
his?

MS. JORDAN: Yes. I'm just here to support my
husband, and I am a proud resident of the Greens of
Hickory Trails Townhomes. Thank you.

MR. BETHEL: Thank you.

Victor Smith.

MR. SMITH: To this committee, I want to thank
you for giving me this opportunity to just come before you
expressing a desire of something that I feel is very
positive for the community.

I've not known of this project for a long time,
but I stand very forcefully in support of it. I'm about
things that I believe to be positive; I want to be that
kind of a humanitarian. I, too, have lived in apartments
and I think that everyone ought to have an opportunity to
live in something that I believe to be good and affordable for the family.

My name is Victor Smith; I reside at 1423 West Red Bird Lane. I am an employee of the Dallas Independent School District, but I do not stand here representing that district. I would want that clearly understood. I come as a citizen and a resident of that community. I come strongly in support of this project for the positive things that she intends to do for our boys and girls for they are our future of tomorrow.

Number one, this corporation has and is taking the necessary steps to be partners in education for our boys and girls. They have taken the necessary steps to adopt three of the schools in that area. They will provide scholarships for those students at the Carter High School. They have taken steps to place playground equipment at one of the elementary schools.

They are taking the necessary steps to ensure that our boys and girls will have an opportunity to get a good education, because in that facility they are making plans for an after-school program to help our little ones who are in need of continuing their education for the lack of what they did not get in school that particular day.

There are other reasons that I could give, but I stand here not against something, but I stand forcefully
and positively for something that I deem will be good for my children and your children and my grandchildren and yours for years to come. This organization is not about a fly-by-night; they will be scrutinized for 15 years, and they're going to help our children. And anything that will help our boys and girls in a positive way, I'm for that.

I know that I have spoken long enough, but I strongly encourage you to make certain that we are for something and not against tomorrow. Our boys and girls will be the benefactors of this, and I ask that you vote in a positive way to ensure a stronger education.

Now listen to this, as I take my seat. Here they come and will offer land to the Dallas Independent School District to build a facility. If you're talking about overcrowding, they offer 15 acres of land to build a facility if it needs to be filled. Can you beat it?

I simply say thank you, thank you, thank you for letting me share with you my positive support for this project.

MR. BETHEL: Thank you, Mr. Smith.

Don Paxton.

MR. PAXTON: I'm Don Paxton, vice president of Brisben Company. I'm going to yield my time to Ken Vowell, also with Brisben.
MR. BETHEL: Okay.

MR. VOWELL: Good morning, Board. We appreciate the opportunity to speak in front of you.

I just first want to thank Ms. Norman, Carole Bonner and Senator West for being here and also the speakers that we had, Mr. Jordan and Mr. Smith, and LaMonica, thank you.

Our firm first heard of neighborhood opposition in early February to this development. Quite frankly, we were surprised. Our development is really not near any residential neighborhoods that have spoken here earlier today. We are, in fact, located directly behind a Sam's Club in an area that is zoned for multifamily, and the development also has some light industrial and light office complexes that are nearby.

The aerial photographs that we have -- what you're seeing is we have a significant distance between us and the residential neighborhood that is objecting to our development.

When we first heard about the neighborhood opposition, we immediately responded, and we have been through a process of several meetings. I myself have flown from Denver to Dallas to meet with Ms. Norman and others in the neighborhood something in the neighborhood of half a dozen times, and it was worthwhile for me to do
that because I believe in what we do.

And I think the Texas Department of Housing and Community Affairs also believes in what we do; otherwise, we would not have been able to reach the level of success that we have in Texas currently with the other developments that we have done.

In response to the neighborhood opposition, we agreed to do better. I think we really were not aware of the Oak Cliff neighborhood and what that represents. Yes, we are from Cincinnati and out of town, and so we learned a valuable lesson that in Oak Cliff it's important to go in and speak with the neighbors first and allow them an opportunity. That opportunity did not occur nor exist for them in our first phase of development.

We attended a TEFRA hearing about 2-1/2 years ago for the first phase and Robert Onion and myself attended that meeting which was very routine and expected because of the distance that we have from any residential neighborhoods. We then proceeded; we did all of the things that were required of us by law and moved forward. And this Board approved the 4 percent tax credit, and we moved forward with building that development.

We've been very successful; thus far, we are now leasing up. When the neighborhood association first learned of our development, we had really only begun the
landscaping program. During this period of time, we have put our landscaping in, and really, landscaping makes all the difference when you're talking about a development of this nature.

So we got off to a bad start with the second phase, because they looked at it and said, You know, this is just ugly. And without landscaping, I think it probably is rather not attractive, but with the landscaping we believe it's better.

Now, if you notice, in our first phase of development -- these are pictures of our club house and the townhome buildings, and you have packages that have these photographs illustrated -- we were told your development is ugly.

So we said, Okay, we need your support on the second phase, because we knew we had the public process and that the Board is sensitive to neighborhood opposition. We said, In response to that, we will then improve our elevation on the second phase, and so you'll see architectural elevations of that.

A lot of the questions came about, you know, crime in the neighborhood and the issues that the residents of Oak Cliff have experienced in multifamily housing, and we're sensitive to that. But we believe we have a product that deals with that effectively, and we
have a management company that are experts in affordable
housing and how to manage the potential social issues that
may exist.

We have developments all over the country, as
you know, and because of that, we have experienced some
levels of internal problem, but we know how to deal with
those and we have very strict -- I think Mr. Jordan
testified that we have very strict guidelines for who
lives in our apartments. We also have very strict
guidelines for what they can or cannot do in our
development, and we have very strict ability [phonetic]
for those people who don't obey the rules there and they
are evicted.

Now, we have made concessions and put things on
the table and had several meetings, and those were in
response. I wish we had done a better job coming into the
neighborhood before this ever got started, but we've heard
what they have to say and we've made those responses.

Now, we have also -- I'll be brief from this
point -- we have letters of support from several folks,
and I wanted to read to you just briefly a couple of
excerpts from the letters. Don, if you could just take
those and flip through those.

We first have a letter that is from Waylan
Wallace. Victor Smith indicated that we are in
partnership with the school district, and in fact, we are. I've met with Principal Waylan Wallace; I've also talked to the principal at the high school. Waylan Wallace's letter indicates in the second paragraph: "I do not feel that additional students will be a burden to our campus since we are not at full capacity at this time. My position is one that favors additional students to our campus."

That campus, their budget is based upon enrollment, and if they're underenrolled, they have a problem with meeting even the most basic needs. These schools that we're talking about, in some instances, are 20, perhaps 30 years old. The infrastructure has come to a point where there needs to be improvements, and it's my understanding that there's a bond issue that is up and is coming about even before we got involved.

We are not necessarily the ones that have created the problem. A lot of the students that are going to the schools in this district are transferring from apartments that are still in the same district.

Now, concerning the statement that Mr. Jordan had, I am a firm believer that the product that we put on the ground is head and shoulders above what most developers, even today, are doing with garden-style apartments. We have a townhome product that when you come
in you have the living area down and the bedrooms up. You
have a front and back door; you have a patio; you have
opportunity for family living.

And Mr. Jordan did not say this, but something
I testified earlier this week that was compelling to me,
and I think says it all, Mr. Jordan said that even though
the process was difficult in the screening process, he and
LaMonica said they would not be denied this opportunity to
live in our townhome. And that is a direct positive plus
in terms of what we are doing and what we are
accomplishing in this area.

We've had extremely large numbers of folks in
and out of our Phase One. There is a high demand; people
want to live in our product. We've been leasing at a clip
of about 15 units per month -- I'm sorry -- per week, and
we've done a good job in that area.

Don, is there anything else that I've
overlooked?

MR. PAXTON: I can't think of anything.

MR. VOWELL: We have an example of some types
of apartments that people are moving from in the Dallas
area. We recognize that there's a lot of apartments that
are undermanaged and old and they've lived the term of
their existence in the Oak Cliff and South Dallas area.
Some, however, are newer apartments.
But we have people who need choices in their living, and it is our purpose as a developer to take advantage of the incentive that is offered under this program to put affordable housing on the ground. We've been successful at it, and we ask for your support in allowing this additional opportunity.

Thank you very much.

MR. BETHEL: Thank you, Mr. Vowell.

Senator West.

SENATOR WEST: Mr. Chairman, members of the Committee. This is my first time ever appearing before you. I've seen you over in the Capitol, but it's a pleasure to be here this morning.

MR. BETHEL: It's more of a pleasure for you appearing before us than of we appearing before you, I assure you.

(General laughter.)

SENATOR WEST: All of it is necessary in order to make the process work.

MR. BETHEL: I understand, Senator.

SENATOR WEST: I'm here this morning representing the 23rd Senatorial District, where I've served as senator for the past seven years; I'm in my eighth year, and I think this eighth year, all of a sudden I woke up one morning and I said, I kind of think I know
what I'm doing now in terms of representation of the
district.

The area that the first phase of these
apartments that Brisben placed in is in the 23rd
Senatorial District; the second phase is also slated for
the 23rd Senatorial District. I didn't know a lot about
the Brisben Company. I understand that they have an
excellent reputation around the country for their product,
that they've worked in the state of Texas over the years,
and they've worked in partnership with this particular
agency.

Just because they've been doing things right
doesn't mean that everything they do is right; this is
wrong, and let me tell you why it's wrong.

Before I get into the reasons that it's wrong,
I believe that all of us believe in local determination.
Citizens at the local level should be able to make
decisions and those decisions should, in fact, be
considered by state and federal government in deciding
exactly what they are going to do in reference to a
particular issue.

You have in your packages, I understand, my
letter of opposition; you have a letter from State
Representative Jesse Jones whose area these apartments are
in. And I have been in communication with Mary Kay
Vaughn, the director of Housing for the City of Dallas.

And I have talked with her and she has represented to me that I can represent to you that a letter is going to be signed by the mayor of Dallas withdrawing his support also and asking that this Commission, this Agency listen to the citizens in the community.

I represent -- all of us represent the citizens in the community, and this is what they have to say. Out of all due respect for my friend Victor Smith who I've known -- Victor used to drive my son to and from school and told him if he didn't get his act together, that he was going to put him off the bus and had some very choice words for him, so he's been a part of my life for a long time.

I commend the Jordans for being here and also articulating their position about the living conditions there. It's a young couple on the move, and I know that they're on the move, and they're going to be doing great things. I commend that.

In terms of what the community wants, we have a vision -- let me just take a few moments and tell you what our vision is. For far too long, America has looked at issues based on race, not based on common interest. I'm trying to develop in my community, in my senatorial
district, coalitions based on interest and not based on race.

I think that you're astute enough to know, as mayors and civic leaders at local levels, that we had white flight a long time ago. And now what we're beginning to see in many of our urban centers is flight, and that flight is based on not race but based on a deterioration of our institutions, education institutions, our social and economic institutions. Part of housing stock would be part of the economic and social institutions.

Well, I firmly believe that education is the key for who stands before you as a young boy from Frasier Courts Projects of the City of Dallas, a Dallas housing project, that was able to do all the things that were necessary and eventually become a state senator and a halfway decent lawyer, even though he wanted to be a football player. So that's who you're looking at right here, and I bring all of that on this particular moment at this particular time in history.

When we look at the area where this housing project is planned, first of all, I have told Brisben that the first phase looks like row houses. They look like row houses from the northeast, and I am disturbed about the architectural design of the houses.
Now, they may very well be spacious, et cetera, but I think that if you would look around the city of Dallas that you can find comparable moderate housing, affordable housing that does not look like the architectural rendition.

I take issue, in part, with the impression that he leaves you that individuals that are moving out of these apartments are now moving into his apartments. I'd like to see where he gets that from. Yes, there are some blighted homes in the surrounding community, but all of this is not in the area that he's talking about, and I think that he would agree with that.

Secondly, the State of Texas decided during the last legislative session to give the University of North Texas a $4.2 million special line item in their budget, and we didn't give a lot of special line items. I think the executive director can tell you how hard it is to get a special item. And I serve on the Finance Committee, so I know how hard it is to get that item.

The dream, the vision. A group of Texans in North Central Texas got together. I said to them, The city of Dallas is the ninth largest city in this country. We do not have a state-supported institution in the city of Dallas. They said, Well, we have the University of Texas at Dallas. I said, That's in southern Plano. They
said, Well, we have the University of Dallas. Well, that's private and that's in Irving, Texas. We have Paul Quinn and that's private; we have SMU and that's private; we have Dallas Baptist and that's private.

So young people living south of the Trinity River, where this project is located, don't have access to higher education unless they decide to leave the community. Well, this group of citizens formed a task force. We had Democrats, we had Republicans, we had independents, we had black people, white people, brown people, every conceivable person, a particular segment of a community, was represented in this task force.

The ultimate objective of the task force was to lobby Austin, the leadership in Austin, and get the necessary funding to begin the process of developing a university in the city of Dallas, in the southern sector of Dallas.

Well, to make a long story short, Chairman Ratliff worked very closely with me, Chairman Junell worked very closely with the House members, and we were able to get that $4.2 million. And they said, When you come back, though, we want to see exactly what the private sector has done. Has the private sector, has the local community made a significant contribution towards putting their money where their mouth is?
And we're in the process of doing that, and let
me just report to you that we have commitments of over $2
million from the local community right now in reference to
the university. And why do I tell you this? Because the
university, a 70,000-square foot facility, is built within
two miles of where they're proposing to put Phase Two.
Forty thousand square feet have been built out, and we're
going ready to build out the other 30,000 square feet.

We're anticipating having over 500 students
this fall; we're open for business. Governor Bush was
there with me for the groundbreaking of 9/9/99; we opened
for business on January 18, 2000, with 204 students.
Within 110 days, we were able to break ground, get through
the maze of city hall in terms of the permits and that
entire process, and open for business, and it was well
received by the community. We have African-Americans,
Hispanics, the entire rainbow is there.

The reason that I bring you that particular
point is because of the vision. We have a vision for this
particular area. Multifamily housing is a part of the
vision, but it needs to be, how shall I say -- and I may
not have the correct technical terms -- it doesn't all
need to be in one particular class, it just doesn't need
to be moderate, low to moderate. We need some other
classes in there.
I think the question was asked about market rates and all of that. The land value in that area is starting to shoot up, and why is that? We're not only working on education in the area as it relates to higher education, we're working on the infrastructure also. I work very closely with Dave Laney over at the Department of Transportation. Interstate 20, where this property is located contiguous to, is one of the main thoroughfares throughout this country, and it's a thoroughfare that does not have an adequate service road facility, so we're building service roads all up and down Interstate 20.

And I should note that this area has a lot of unimproved land. Well, in proximity to where the university is, we have just begun construction -- and Mayor, you know that process -- we have just begun construction on our service roads on both the north and south side of Interstate 20, we have businesses starting to move in, and the land value is going up.

The point I'm making is that I believe that we should have some degree of multifamily housing and that we should make sure, though, that it is stratified -- maybe that's the correct word -- in terms of the income offering, because I believe that if you have individuals of different income classes within a community, that's going to make it a better community altogether, as opposed
to having one particular offering that Brisben is offering here.

When we look at the issue of our schools in Dallas, I don't think that Mr. Vowell intentionally did it, but the fact of the matter is that there is no bond package approved for the Dallas Independent School District right now. Let me put my education hat on for you. I serve on the Education Committee, have been for the past four years, in terms of the Senate Subcommittee on Higher Education.

When we look at education in America and the state of Texas, we have a shortage of teachers; when we look at education in the state of Texas, we're also going to be looking at an increased demand on the local tax dollars because of the number of young people that we're anticipating public schools will have to deal with in the future. The Dallas Independent School District is no exception. There's a teacher shortage already in the city of Dallas.

Most of the people, or most of the individuals that will probably -- if you decide to allow this to go forward -- occupy both Phase One and Phase Two will be young couples. Young couples have young children; those young children will have to go to a school. Now, Waylan Wallace, I don't know which school he's the principal of,
but I can assure you that the elementary school in that area that feeds this -- would feed this or take up this particular section is Martin Weiss, and we have enough portables there already. That shows you how overcrowded the school is already. By allowing this to go forward, you exacerbate the problem.

We have a community plan. I would hope that in the spirit of local determination that you would allow me to represent the view of my constituents and the leadership in this area, and that view is simply, we don't want it.

We're not saying that affordable housing is bad, because, yes, there is a need for affordable housing, but we do not need this additional Phase Two in this particular area for the reasons that I aforementioned. Allow us the opportunity to develop this community; it's going to be a community that all of us can be proud of because, again, it's based on a coalition of interest, not on a coalition based on race.

I want to make sure that young families, like the Jordans, have the opportunities that they are attempting to gain. I'm willing to work very closely with them to make sure that we do that. I understand they're trying to get housing in the DeSoto area.

Well, that's part of the problem also -- not
that they're trying to get housing in the DeSoto area, but in this particular area, we don't have a lot of single family homes; we don't have customized homes where if someone wants to get a home, say, from $100,000 on up, there's no new housing stock in the area that's allowing us to do that. And that's a problem that we're going to have to deal with and we are dealing with it.

But I would ask, out of all due respect, allow us to represent to you and please weigh heavily in your decision that the local officials and leaders in the community are solidly against this particular project. I'll open up for any questions that you might have.

MR. JONES: Thank you very much for being here.

SENATOR WEST: Thank you.

MR. BETHEL: I think you covered it, Senator. Thank you.

I have a couple more witness affirmations, but I think that was for the Tax Credit meeting. Leonard Randolph and Marvalette Fentress. That's for the next committee meeting.

I don't have any more witness affirmation forms, so we'll close the public comment, and if I can find my agenda, we'll go to agenda item number 1 which is the discussion and possible approval of the minutes of the Finance Committee meeting of February 11, 2000.
MR. JONES: I move they be approved.

MR. BETHEL: Okay, we have a motion that they be approved, and we'll approve them as presented by common consent.

The second item on the agenda is the possible approval of the Second Quarter Investment Report. Ms. Stiner?

MS. STINER: Thank you, Mr. Chair. We have forwarded to you in your board packages a copy of the investment report. We'll ask Bill Dally, who is the CFO of the Agency, to come forward to explain it or answer any questions you may have about the investment report.

MR. DALLY: Good morning, Chairman and Committee members, Ms. Stiner. My name is Bill Dally, the Chief Financial Officer for the Department.

Before you is the Second Quarter Investment Report for the Department; that's through the period ending February 29, year 2000. I'm going to be brief today and just hit the highlights of this activity for this quarter to let you know that we made about $52 million in loans, mortgage-backed securities this last quarter.

Overall, the portfolio grew by about $95 million. That's because of our recent issuance of the MRB, and that will represent a future pipeline of funds.
for loans over the next year and a half.

I also want to take this moment, since the market has been so volatile in the last couple of months, and this last week particularly, just to reiterate the fact that this portfolio is totally debt securities. It's not NASDAQ; it's not Dow-Jones, none of those.

MR. JONES: It's not in Yahoo.

MR. DALLY: Yes, no dot coms.

(General laughter.)

MR. DALLY: Just to give you the big picture, 66 percent of these are mortgage-backed securities, so those are the loans and the activity that we've already made over the last 10, 15 years; 22 percent of it is the GICMA which is a combination of the money that we'll have in our pipeline to make loans over the next year and half, or it's funds that will come in that we will use to make debt service over the next six months; and another 12 percent is short-term securities.

The thing that does affect our market -- it's not the equity market but the fact that the Federal Reserve is raising interest rates to try and slow down the economy which ultimately has the effect of raising mortgage rates. The average mortgage rate in the country for that week ending March 3 -- which would have been the period for this report -- was 8-1/4 percent, which you'll
note is a rise over what we've had in the last year and a half when we actually had 7s and 6s.

That will have the effect, since we do offer a below-market product -- it makes our product more attractive to homebuyers since the overall market rate has risen; it will also have the effect, though, of our valuation of our portfolio will be depressed, compared to the market values.

Are there any questions?

MR. BETHEL: I don't have any. Thank you, Bill. Then by common consent, we'll approve the market report.

MR. JONES: Do we even need to approve it?

MR. BETHEL: I mean the investment report.

MS. STINER: This is an approval.

MR. JONES: We do need to approve it?

MS. STINER: This is an approval, yes.

MR. JONES: I second the motion.

MR. BETHEL: Item number 3 is discussion and possible approval of multifamily mortgage revenue bonds for Hickory Bend Apartments in Dallas.

MS. STINER: Thank you, Mr. Chair. Brent or Robert, which are you presenting? Both. I'll ask Brent Stewart and Robert Onion of our Multifamily MRB Division.

MR. ONION: My name is Robert Onion,
Multifamily Division.

The proposal before you is Hickory Bend Apartments. The original package was sent to you with a request for an approval of a tax exempt portion of 9,240,000, taxable of 600,000, and subordinated tax exempt at 2,460,000. In the supplemental information amendment that we provided to you, we are recommending that the amount of the taxable bonds be reduced from 600,000 to 330,000, and for you to also approve the interest rate on the subordinated bonds which is 6.7 percent.

The project, as you've heard a lot about, is at 8700 Old Hickory Trail; it's 250 units located in southwest Dallas. At this point I would like to just open it up for any questions that you might have with regard to the project or the bond financing.

MR. BETHEL: I don't have any.

Do you want to pass this to the full Board?

MR. JONES: Yes, that's fine with me; I have no motions to make.

MR. BETHEL: I think we'll just pass this to the full Board; most of them were here on this particular one. We'll make no recommendation then. Is that all right with you?

MR. JONES: That's fine with me.

SENATOR WEST: Could I ask a question?
MR. BETHEL: Yes, sir.

SENATOR WEST: What does that mean in terms of procedure?

MR. BETHEL: Procedure -- most of the Board were here during the discussion, and so the Committee -- what we normally do is make recommendations to the full Board, either for or against, and since this is more of a Board -- I mean, it's bigger than other, we'll just let the Board decide whether to -- we're not going to make any recommendation.

I mean, we're not going to say we're against it or for it, and we'll have to have the discussion at the Board meeting. But I think all the Board members except two were here to hear all the discussion.

SENATOR WEST: Okay. Thank you.

MR. BETHEL: Do you have something?

MS. STINER: No, sir.

MR. BETHEL: All right. Deerwood Pines Apartments.

MR. ONION: The next bond issue is Deerwood Pines Apartments. It's a tax exempt series of 6,435,000; it will be credit-enhanced by Fannie Mae and will be offered publicly. The property is located on Maxey Road in Houston, Texas, east Houston.

We've provided a supplemental handout to you.
which discusses the staff's recommendation and also credit
underwriting analysis. We have recommended the 6,435,000,
because we feel like a 5 percent vacancy factor is
reasonable in the market, and also the garage income is
supportable.

At this time I'd like to answer any questions
that you might have.

MS. STINER: Give us an opportunity to look at
the supplement. You said you did a supplement -- you did
a supplemental handout?

MR. ONION: Oh, I'm sorry.

MS. STINER: Thank you.

MR. STEWART: You should have two things on
this transaction: you should have a bound booklet that
was sent last week that looks like this, and then you
should have what we just handed out.

The key issue with the supplement is that
Underwriting recommends a reduction of the loan amount and
staff is recommending the full loan amount.

MR. ONION: Correct. Yes, sir.

MS. STINER: Do you want to take a minute and
explain how you arrived at different positions? I think
that may be something that's valuable for the Committee.

MR. STEWART: Yes, sir. What we've got is we
have a Fannie Mae commitment to credit-enhance $6,435,000
in bonds which makes those bonds a AAA-rated, publicly-offered transaction. Within those documents there's a special mandatory redemption provision that, in essence, provides Fannie Mae the ability to resize those bonds upon completion of construction and lease-up of the project.

So they, in essence, get an opportunity to size that thing based on what's actually in place at the time that the project is, in essence, placed in service.

Our underwriting analysis comes up with a number that's short of the 6,435,000, and it's largely due to a couple of standard underwriting parameters that we use on all of our multifamily transactions -- not just bond transactions, but across the board of the Department -- that relate to other income and vacancy assumptions, and Fannie Mae is obviously using some different assumptions with regards to vacancy and other income, and so they're willing to provide that commitment.

So what we're proposing here is to go ahead and allow and approve the full 6,435,000, up to the Fannie Mae commitment, relying on the fact that if the project is not meeting the debt coverage test at the time of conversion that there will be a partial redemption of bonds down to whatever amount the project can support.

MR. BETHEL: So what does the Executive Director recommend?
MS. STINER: The Executive Director is recommending that we approve the transaction for the full six four three five. We wanted to give this Committee and this body an opportunity to be aware of the difference in assumptions that we're utilizing. I feel confident that, again if the adjustment is made, it will be made at the appropriate time once the transaction is closed. So we are recommending it.

MR. JONES: Are our underwriters comfortable with that?

MS. STINER: Our underwriters gave you what their recommendation is and that's 5.5; I don't think they're adverse. The role of underwriting is to try to lay out for you what is that consideration of the risks involved and the assumptions they take under consideration. Because there are different assumptions, I don't think leads us to believe that there's a wrong or right; it just depends on your confidence level with moving this transaction forward and having those adjustments being made at another time.

MR. JONES: Well, you know, I understand that. I understand how you can come up with different underwriting analyses based upon different assumptions -- which is basically what you're telling me, that our underwriters used one assumption, Fannie Mae used another,
and they came to about a million dollars apart which makes sense. I mean, that doesn't surprise me.

But after our underwriters hear your plan which is, well, we can always handle it by reducing the redemptions, do they agree that's a good plan, that, yes, that satisfies our concerns?

MR. STEWART: They have put in their underwriting report that they recognize that there is this special mandatory redemption provision and that would satisfy the issue.

MR. JONES: Okay.

MR. STEWART: And I might point out that this particular underwriting issue relates to the fact that -- primarily relates to an other income assumption of $10 per unit. This property has 140 garages on it and our underwriters, in sizing that loan amount of the 5-1/2 million, have not assumed any income from those garages which is a conservative way of doing it.

So what we're just recommending is that the developer is proposing to be leasing 70 of those garages at $30 a month, which is well below the 50 to $60 a month that's going in the market, so we feel like there will be additional income at the end of the day. It's just instead of trying to guess what that may be today, let's just size it with this redemption provision once it's
stabilized and we stop.

MR. JONES: And I'd just like to say that I appreciate the full information here from the Underwriting Department and from staff and from the analysis, and based upon the staff's recommendation, I would propose that we recommend to the full Board that we approve the staff recommendation to the full amount of $6,435,000.

MR. BETHEL: Okay. That's fine with me, and then we'll accept that by common consent.

MR. JONES: Okay. Thank you.

MR. BETHEL: The Timber Point Apartments.

MR. ONION: The Timber Point Apartments are located in Houston, Texas; the amount of the tax exempt bonds is 8,100,000 which represents 240 units in Houston, Texas. The bond structure will be publicly offered. It is credit enhanced by Freddie Mac; the interim letter of credit lender is Wells Fargo. The project, as all of these projects are presented today, will be rent-restricted at 100 percent of 50 percent of area median income.

I'd just like to open it up for questions if you have any at this time.

I need to add one additional thing that's not in your presentation on this deal, as well as the -- there are two transactions that are using the same structure
here, the Freddie Mac variable rate structure: The Timber Point and Creek Point Apartments.

Freddie Mac has requested that we allow a co-trustee situation to occur during the interim period on these transactions, and Norwest/Wells Fargo has worked an arrangement with Bank One whereby Bank One would be providing some co-trustee work during the interim period on this project.

MR. JONES: Mr. Chairman, I move we approve the issuance of the multifamily mortgage revenue bonds for the Timber Point Apartments in Houston, Texas, as recommended by staff.

MR. BETHEL: I concur, and so we'll make that recommendation by common consent.

The last item on the agenda is the Creek Point Apartments in McKinney, Texas.

MR. ONION: As Brent has mentioned, this is another project with the same type structure -- Timber Point, and then this is Creek Point. It's for seven million two. It would be tax exempt; it would be credit enhanced by Freddie Mac. Also, Wells Fargo will be the interim letter of credit provider. It is located in McKinney, Texas and it is made up of 200 units in McKinney.

MR. BETHEL: Trustee the same as the one
before?

MR. ONION: Yes, sir, same arrangement, co-trustee.

MR. BETHEL: Okay.

MR. JONES: I move we approve the issuance of the multifamily mortgage revenue bonds for the Creek Point Apartments in McKinney, Texas.

MR. BETHEL: I concur, also, and by common consent then, we will recommend the approval of this to the full Board.

Ms. Stiner, do you have anything else?

MS. STINER: No, Mr. Chair, we have no report items for this committee today.

MR. BETHEL: Then that concludes the agenda items for the Finance Committee. I guess we'll have the Tax Credit Committee meeting in about five or ten minutes.

(Whereupon, at 11:00 a.m., the meeting was concluded.)
CERTIFICATE

MEETING OF: TDHCA Finance Committee
LOCATION: Austin, Texas
DATE: April 14, 2000

I do hereby certify that the foregoing pages, numbers 1 through 50, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Penny Bynum before the Texas Department of Housing and Community Affairs.

04/20/2000
(Transcriber) (Date)

On the Record Reporting, Inc.
3307 Northland, Suite 315
Austin, Texas 78731